

Process	Financial Reporting
Title	Implementation of GASB Statement No. 33 (GASB 33)
Observation	<p>The Governmental Accounting Standards Board (GASB) issued a pronouncement, (GASB) Statement No. 33, <i>Accounting and Financial Reporting for Nonexchange Transactions</i> (GASB 33), which establishes accounting and financial reporting standards to guide decisions about when to report the results of nonexchange transactions, such as federal grants. In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. The nature of these transactions (lack of equal exchange) sometimes makes it difficult for the University to determine when a transaction that needs to be recorded in the financial statements has occurred. The University's decisions about when to include nonexchange transactions in the financial statements can have important effects on reported operating results and financial position and on users' ability to compare information with similar organizations over time. These effects may in turn influence decisions by governments and other resource providers about future revenue raising and resource allocation needs. The provisions of GASB 33 are effective for the University's fiscal year ending September 30, 2001</p> <p>Historically, the University has reported revenues from most federal grants only to the extent that it has incurred expenditures under the terms of grant agreements. However, GASB 33 requires that each individual grant be analyzed to determine when the University is eligible to recognize revenue. We believe it is likely that revenue from many of the grants the University receives will need to be accrued under GASB 33 earlier than it has been in the past.</p>
Recommendation	We encourage the University to begin analyzing the impact of GASB 33 on its revenue recognition policies and to assess the related impact on its fiscal year 2001 financial statements.

Process	Financial Reporting
Title	Implementation of GASB Statement No. 35 (GASB 35)
Observation	<p>GASB Statement No. 34, <i>Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments</i> (GASB 34), is perhaps the most far reaching accounting standard ever issued by the Governmental Accounting Standards Board (GASB). This standard creates two new, government-wide statements that present the net assets and activities of the governmental entity on a full accrual basis. These statements supplement the fund financial statements that have historically been presented.</p> <p>GASB Statement No. 35, <i>Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities an amendment of GASB Statement No. 34</i> (GASB 35) establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34. Generally, this amendment to GASB 34 permits public colleges and universities, in separately issued financial statements, to use the guidance for special-purpose governments engaged only in business-type activities, engaged only in governmental activities, or engaged in both governmental and business-type activities in their separately issued reports. Under this guidance, in its separately issued reports, a public institution is required to include:</p> <ul style="list-style-type: none"> • <i>Management's discussion and analysis</i> (MD&A). MD&A is a narrative discussion of the financial operations of the University and should introduce the basic financial statements and provide an analytical overview of the University's financial activities. • Basic financial statements. The basic financial statements should include: <ul style="list-style-type: none"> - <i>Government-wide financial statements</i> prepared using accrual basis of accounting. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Each statement should distinguish between the governmental and business-type activities of the primary government and between the total primary government and its discretely presented component units. Fiduciary activities, whose resources are not available to finance the government's programs, should be excluded from these statements. - <i>Fund financial statements</i> consisting of a series of statements that focus on information about the government's major governmental and enterprise funds, including its blended component units. Fund financial statements also should report information about a government's fiduciary funds and component units that are fiduciary in nature. - <i>Notes to the financial statements</i> • <i>Required supplementary information</i>. In addition to MD&A, this Statement requires budgetary comparison schedules to be presented as RSI along with other types of data as required by previous GASB pronouncements.
Recommendation	Because of their complexity, GASB Statements 34 and 35 will be extremely difficult to implement. We encourage the University to establish a "Steering Committee" to monitor the progress towards successful implementation of the

Recommendation (continued)	<p>new standards. Integral to this success will be active participation by senior management of the University, and support from the Board. We would be pleased to present an overview of the GASB 34 and 35 requirements to Board upon its request.</p>
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University of the District of Columbia

Status of Prior Year Management Letter Comments

September 30, 2000

<u><i>Prior Year Comment</i></u>	<u><i>FY2000 Status</i></u>
Lack of timely entry of transactions into CUFS and understanding of CUFS system	Material weakness in current year.
Unclear lines of responsibility related to Accounts Receivable collections	Management letter comment repeated in current year.
Lack of proper reconciliation of Tuition Receivable Account	Management letter comment repeated in current year.
Bank reconciliation not performed properly or not performed at all	Material weakness in current year.
Inadequate Controls over safeguarding stock certificates	Comment not repeated.
Fixed Assets not properly accounted for and reconciled to Inventory records compiled by VRM	Management letter comment repeated in current year.
Inappropriate Budget Administration	Management letter comment repeated in current year.
Lack of proper reconciliation of Accounts Payable Balance	Management letter comment repeated in current year.